

NASA
National Aeronautics and
Space Administration

Washington, D.C.
20546

Office of the Administrator

OFFICE OF
THE SECRETARY OF DEFENSE

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Honorable Caspar Weinberger
Secretary of Defense
Washington, D.C.

Dear Cap:

At our meeting last Monday, you asked me to send you a note giving my thoughts on what the Space Station program we are seeking approval of would actually cost.

The estimate we have developed for a fully capable Space Station to be launched in 1991 is \$8 billion in 1984 dollars. This estimate is based on the most careful analysis of a major NASA program that has ever been done at this stage of planning. The funding profile we have developed, beginning in 1985 and concluding in 1991, does not exceed \$2.4 billion at its highest point in 1989. The development begins with a two-year period in which the precise cost, schedule and capabilities of each element of Space Station is carefully specified before actual construction begins. This is more than twice as long as the period normally devoted to this activity. I believe it will give us an unusually high degree of assurance that the hardware can be completed within the defined cost envelope. And the cost envelope itself is well within any reasonable projected NASA budget level. We will not need to syphon funds from the national security budget.

I think NASA's experience with Shuttle indicates that the agency can stick reasonably close to cost objectives. At the time of the 1972 Shuttle go-ahead decision, NASA undertook to build the Shuttle for \$5.2 billion in 1971 dollars. The development was completed in 1983 at an actual cost of \$6.7 billion in 1971 dollars -- an increase of 30% over the original estimates 12 years before. For a program of the duration and complexity of the Shuttle, I believe this is good cost performance. The Space Station has the

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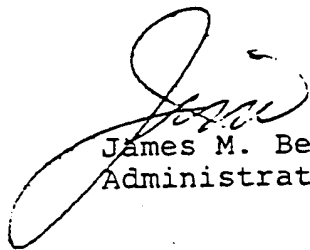
potential to give us more flexibility to exercise cost discipline because of the modular and incremental nature of its design. For these reasons, I am confident that any cost in excess of the projected \$8 billion can be held within the NASA civil space budget. By the way, the 30% cost increase in Shuttle was absorbed within a NASA budget that declined some 20% during the development period.

You will recall that the NASA budget was to have remained stable in real terms throughout the Shuttle development. However, during the Carter years the budget declined and has still not returned to a level equal to that which was spent in the early 70s. We still believe, however, that within the amounts that NASA is likely to receive in the next 8 or 10 years, we can comfortably accommodate a Space Station program.

Cap, I think Space Station is an important program for this country. It is fully justified by civil needs. It is an essential element in maintaining U.S. space leadership into the 90s. Moreover, once we have it, it may provide important capabilities to meet emerging defense needs. I hope I can have your agreement to a decision that will permit NASA to take this next step in the nation's civil space program.

With best personal regards.

Sincerely,



James M. Beggs
Administrator